

XV. THE MANAGEMENT FEE.

The Management Fee shall consist of the Fixed Fee and Incentive Fee as described below. To the extent that any Contract Year under this Agreement is less than 12 months, the Fixed Fee and Incentive Fee shall be prorated to reflect the number of days in such contract year.

- A. **Fixed Fee.** As base compensation to SMG for providing the services herein specified during the Management Term, the City shall pay an annual fixed fee of \$130,000, which amount shall be adjusted upward on the first day of each Contract Year, during the term hereof by the percentage change in the Consumer Price Index -All Urban Consumers (CPI-U) -Lincoln, Nebraska, MSA Average, all items, during the one year period immediately preceding such Contract Year, as published by the Bureau of Labor Statistics of the U.S. Department of Labor, or of any revised or successor index. The Fixed Fee annual adjustment is capped at five (5) percent annually. The Fixed Fee shall be payable in equal monthly installments due on the first day of each month during such Contract Year, and SMG shall be entitled to draw such amounts from the account described in Section XVII. The initial Management Fee to be paid by the City to SMG shall be \$10,833 per month beginning November 1, 2000;
- B. **Incentive Fee.** In addition to the Fixed Fee, and beginning at the end of Contract Year 1, SMG shall receive the following percentage of the annual improvement in the Historical Subsidy as evidenced by the comparison of the City's actual subsidy to the Historical Subsidy for such Contract Year as set forth in the financial statements for such Contract Year: for Contract Years 1-2 - 30% and for Contract Years 3-5 35%. In the event the City determines to issue tax exempt obligations related to the Auditorium, the provisions of XXVIII (B) shall apply.

- C. **Payment.** The incentive fee determined pursuant to Section XV(B) shall be payable to SMG within 30 days after the City's receipt of an invoice from SMG accompanied by the annual statement certified by one of its officers setting forth the Operating Revenues and Reimbursable Expenses for the Contract Year for which incentive fees are payable and showing the calculation of the incentive fee payable with respect to such Contract Year, described in Section XV(B). To the extent that the Agreement terminates during any Contract Year, the calculation of the incentive fee shall be prorated to take account of the partial Contract Year for which the Agreement was in effect.
- D. **Fee Rebate.** If the City Subsidy Payment is greater than the Historical Subsidy in any Contract Year, as evidenced by the financial statements for such Contract Year, then within 30 days after the City's receipt of the audited financial statements for such Contract Year. SMG shall remit to the City an amount equal to the shortfall (the "Rebate"), provided, that the Rebate shall in no event be in excess of the amount of 30% of the Fixed Fee paid to SMG during such Contract Year.

XVI. REIMBURSABLE EXPENSES.

- A. The City shall pay to SMG Reimbursable Expenses as provided in this section in addition to any Management Fees including expenses incurred by SMG in the provision of services authorized in this Agreement and as approved by the City in the Quarterly and Annual Budgets:
- B. Reimbursable Expenses shall generally include the following:
1. Staff Labor including benefits as provided in this agreement.
 2. General and Administrative Expenses including:
 - a. Postage;
 - b. Office supplies;
 - c. Copies and printing;
 - d. Dues and membership;
 - e. Subscriptions;
 - f. Telephone;